

**Eighteen (18) Ways
to Buy Properties
With No Money,
No Credit and No
Risk**

-WARNING-

The material in this text is for educational purposes only and should not be construed as legal advice. Consult with an attorney or CPA if you have legal or accounting questions.

Federal Trade Commission Required Disclaimer

Because of recent changes in Federal Trade Commission (“FTC”) advertising guidelines, I am in the process of attempting to collect more actual results of students who are I or have completed my mentoring program and who have used the programs and software that are available from my various materials and courses, including live presentations. This is being done to be able to better define what may be considered “average” or “typical” results for anyone using my course materials. It is reasonable to say that with some subscribers and purchasers of the various products and services, they will never open the products, listen to the recordings, read the pages or use them in any way and, unfortunately, will have no results what-so-ever.

All of the actual transactions, testimonials, stories and any related support for the potential success by using these products, do not mean that anyone, current, past or future client, who purchases them will have any success what-so-ever. There is no guarantee, either expressly, implied, inadvertently offered, or even suggested for anyone purchasing any of my products or services. The actual examples represented in all my materials represent what can be achieved but should be assumed by the reader to be extraordinary or unique experiences by other investors which may not be reproducible by the reader. The results shown in my materials are the results of so many variables which are beyond my control that the results specifically for the new advertising standards set by the FTC for determining the calculation of “average” results **are so unreasonable that any reader should assume that any product he may be purchasing will produce no results what-so-ever, especially if he chooses not to use it properly and consistently.**

Method #1. “Subject To”

“Subject To” is where a property is purchased by assuming the monthly payments of the mortgage holder – NOT the liability of the mortgage.

Example: Sales Price is \$240,000 and seller owes \$240,000. At closing the buyer takes over the payments on the first mortgage, the seller gets nothing and the buyer only needs closing costs to own the property. Seller may even bring closing costs to the closing if asked!

“Subject To” is NOT ILLEGAL despite what you may have heard – doing a subject to sale will technically “activate” the “Due on Sale Clause” in every mortgage. However, this is contract law and not civil law – there is no “Due on Sale Jail”.

A homeowner can transfer his property into a Trust and legally not trigger the Due on Sale Clause under the St. Gaudens Act.

No credit check or other requirements to take over mortgage payments.

Real Estate Investor's “Deal of the Day”

**Substantial Rehab of an
Abandoned Property Where the
Seller Had to Bring Money to
the Closing**

Entrance to the Property



Completed Property



Living Room with “Natural” Skylight



Cave-in From Roof Leak



Kitchen with Spoon Collection



Remodeled Kitchen



Summary

- **Lead Source** – Newspaper Ad
- **Purchase Price** – \$92,000
- **Sale Price** – \$308,000
- **Repairs & Carrying Costs** – \$45,000+



Profit – \$171,000

- **Lessons** – Seller had to bring money to closing (\$6,000) because more was owed than the purchase price.
- **Transaction Details** - Deal was “Subject To” financing which stayed in place until the sale. Time to rehab – 4 months with end-buyer using conventional financing.

There was \$200,000 in city code violations which were negotiated to \$10,000 before the closing.

Copies of all HUD-1 Closing Statements are available upon request for a fee and this actual transaction can be seen in the public record.

Why would a homeowner do a “Subject To” sale? –

Seller Has To Be MOTIVATED!

What is “Motivated”?

**“I want to sell “Yesterday” -
Wants to, but doesn't have to
sell.**

**“I need to sell Now” - Needs to
Sell ASAP**

Advantages to Homeowner – rapid sale of property, may or may not be commissions to a Realtor®, takes away burden of mortgage payments, *homeowner still gets interest charges credited to him* at year-end for IRS purposes, no other maintenance costs for the seller.

Disadvantages to Homeowner – if mortgage payments are not made the result is foreclosure, if payments are made late the result is bad credit, no longer have ownership of the property, loan could be called and foreclosed if payments aren't made, insurable interest is limited or non-existence.

Realtor® - *What to Say to a Buyer Who Won't Pay a Commission:*

FACT - The average FSBO seller tries **less than six weeks** and lists the property or sells to an investor because they are ***MOTIVATED!***

REALTORS® HAVE AN OPPORTUNITY

Realtor® - “If you decide to sell to an investor, let me know as I work with a reputable group that has been in business for over twenty years.”

Realtor® - *What to Say to a Buyer Who Won't Pay a Commission:*

Result – If we are able to contract and sell the property, you will get a **partnership distribution** because you are a partner in the transaction – NOT a commission as a Realtor® unless you choose to get your commission on the HUD-1 Closing Statement.

You can inform the seller that the buyer will pay you a fee but it won't be shown on the HUD-1.

The Purchase and Sale Contract and Partnership Agreement constitute an “Equitable Interest” in the property and a “profit” is not a commission by regulatory guidelines.

Method #2. Owner Financing

In this process the seller (deed holder) takes back a first or second mortgage in the amount agreed upon by the buyer and seller.

Example: Sales Price is \$240,000 and seller owes nothing (free and clear). At closing the seller gets a first (senior) mortgage from the buyer for \$240,000 and the buyer only needs closing costs to own the property. The seller may even finance these costs into the closing.

Method #2. Owner Financing

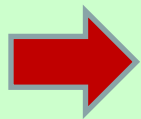
Advantages to Seller – rapid sale of the property, income from mortgage higher than bank rates, ability to take property back if payments aren't made, eliminates burden of mortgage payments, equity in the property produces income, no realtor commission.

Disadvantages to Seller – No cash out at closing or less cash that may be needed to do something else, he/she is still attached to the property, collection of payments

Method #3. “Subject To” + Owner Financing

This combination process includes “Subject To” financing with the existing mortgage on the property AND with the seller taking back a Second Mortgage (junior lien) for the rest of the purchase price.

Example: Sales Price is \$240,000 and seller owes \$200,000 to a conventional lender. At closing the seller gets a second (junior) mortgage from the buyer for \$40,000 and the buyer only needs closing costs to own the property.



This is the most used way to transfer properties to investors who want no money in the deal but want title to the property!

Method #3. “Subject To” + Owner Financing

Advantages to Seller – rapid sale of the property, income from mortgage higher than bank rates, ability to take property back if payments aren't made, eliminates burden of mortgage payments, equity in the property produces income, no realtor commission

Disadvantages to Seller – No, or smaller cash, that may be needed to do something else, still attached to the property, collection of payments

Method #4. Assignment of Contract

Once a Purchase and Sale Agreement is in place with a seller, this contract can be assigned or “sold” to another person or entity that will close in the shoes of the original buyer and with the same contract terms.

This is the PUREST, No money in a deal method!



NOTE – all contracts are assignable in Florida UNLESS they specifically state that they are not assignable in the document.

Method #4. Assignment of Contract

Advantages to Seller – Next seller has same terms agreed to previously and there is a better chance of closing,

Disadvantages to Seller – NONE except for possible buyer's remorse because the property was resold “instantly” for a higher amount!

Realtor's® Resistance – “I don't want anyone to know the property was worth more money and I didn't get a commission on the higher price!”

Realtors® - you don't get paid unless it closes, simply write in a clause about getting paid commission on any Assignment Amount!

Method #5. Option Contract

An Option Contract is a contractual agreement between a seller and buyer that stipulates a future purchase or “strike” price, length of the option, terms of the purchase and option consideration (\$100) for a specific property.

Example: Homeowner (Optionor) has his home listed for \$500,000 but is willing to take \$455,000. Investor/realtor (Optionee) offers an option for \$455,000 and finds a buyer for \$490,000. A Memorandum of Option Contract is filed in the public record. The seller closes with the buyer directly (no seasoning issue) and your profit comes on the HUD Statement as a Release of Lien. The investor has an equitable interest in the property so the profit is **NOT** a commission.

Many of the largest commercial real estate transactions have been done as exercises of option contracts.

Method #5. Option Contract

Advantages to Seller – Property gets sold at specified terms and quickly, commission goes to the listing agent for the property at the close for the purchase price.

Disadvantages to Seller – **NONE** except buyer's remorse because the property was resold for a higher amount – disclose this at the signing of option!

Method #6. Beneficial Interest Transfer

A “Beneficial Interest Transfer” is where the beneficiaries of a Land Trust sell, convey and transfer their ownership of the trust to another party(s) for cash or terms.

Example: The ownership of a property is transferred by a “Deed to Trustee” from the seller to the trustee of the land trust. The Deed to Trustee is recorded in the public records. The land trust now owns the property, but the Beneficiaries of the trust own the land trust. The Beneficiaries can at any time transfer their ownership of the trust to anyone and there is NO change in the ownership in the public records.

The Beneficial Interest of the land trust is **USUALLY** transferred after the property is purchased.

However, to avoid “deed restrictions” by lenders, the Beneficial Interest of the land trust can be transferred BEFORE the closing

Method #6. Beneficial Interest Transfer

Land trusts have been proven in the court system for over 150 years where LLC's are fairly recent and are still making their way through the court system.

The major reasons to use a land trust are to substantially reduce or eliminate liabilities associated with the property and to mask or hide the property's owners from the public record.

Method #7. Lease Option Contracts

Lease Option Contracts are contracts that offer the owner the **ability to lease a property** to a perspective buyer **and have an option agreement** with the tenant to purchase the property in the future. The perspective buyer is only a tenant until such time as he exercises the option contract and purchases the property.

An investor can get a lease option from a homeowner and re-lease and re-option the property to another Optionee. Thereby making money on the lease income and on the option exercise when the tenant exercises the option contract. Realtor's® commission could be paid at signing of lease-option.

Method #7. Lease Option Contracts

Common usage - A homeowner finds a perspective buyer who has poor credit, lack of funds to close, and/or no down payment. The homeowner leases the property to the perspective buyer (tenant and Optionee) until the lease and option expire or the option is exercised.

Second common usage – property was purchased less than 90 days ago and seller has a buyer who needs conventional financing. Lenders won't finance for 90 days (seasoning) after the closing date of the last sale.

Seller does a lease option to the buyer for 60 - 90 days and then sells conventionally to the buyer now has time to get funding.

One Lease Option Doc or Two?

While I have been telling people about the **benefits of two documents**, there are a few attorneys out there who insist it doesn't make a difference, so you decide:

Scenario #1 - If the homeowner wants to get a tenant (Optionee) out of the property and he has two agreements, the homeowner can start a simple eviction and remove the tenant from the premises. The option agreement becomes null and void and the **Option Consideration (NOT a Deposit) is forfeited.**

Scenario #2 – If the homeowner has one agreement for both the lease and the option consideration, the courts have favored the tenant and said that the lease payments are actually principal payments and reduce the strike price of the option. In most cases a foreclosure proceeding must take place to remove the tenant instead of an eviction. **The option consideration is likely to be construed as a deposit and is refundable to the tenant.**

As an Investor who is looking to re-lease option a property so there is no money or risk in the deal, a single contract from the homeowner and two contracts with the tenant is ideal.

Method #8. Notice of Interest

A Notice of Interest is a document filed in the public record that “proclaims” that you have an equitable interest in the subject property.

It does not have to be signed by both parties of the first agreement that was originally signed by both parties.

This “equitable interest” could be for a Purchase and Sale Agreement, Option Contract, Partnership Agreement or even a Lease.

Under the terms of the agreement you have with the homeowner, your equitable interest is “extinguished” once the terms of the Agreement or Contract are fulfilled (i.e. the property is sold, the option is exercised, the Partnership Agreement is concluded, or you have abandoned the lease.

The Notice of Interest is a lien on the property and can only be “discharged” by a release of lien from the party on the Notice of Interest.

Method #9. Memorandum of Contract

Essentially a “Memorandum of Contract” is a Notice of Interest in the public record with one major exception – the signatories on the Memorandum are all the parties that are subject to the terms of the original contract.

The parties to the contract have no defense that they were “Unaware of the notice in the public records” since they all signed it.

The power of Notices and Memorandums recorded in the public record is so great that the FAR/BAR contract and the FAR contract do not allow the recording of these instruments as related to each specific FAR/BAR or FAR contracts.

You can overcome this exclusion by writing in the “Special Clauses” or “Addendum Section” the ability to record it in the public record.

Investors typically charge a “Document Prep Fee” to sign a Release of Lien when needed by another buyer – **The amounts can range from \$500 to \$5,000 depending on the potential profit in the property.**

Method #10. Double Closings

A “Double Closing” is actually two separate closings with the end result being the original seller comes to the closing table to close and does so with the investor buyer. However, there is another step that takes place first.

Step #1 – The “end-buyer” or final owner of the property comes to the closing table and signs all the necessary documents and pays for the purchase with cash that is held by the closing agent for the second part of the transaction.

***If the end-buyer is using conventional financing to purchase the property, the transaction is an illegal “flip” if the investor uses the end-buyer’s funding to purchase the property and is considered bank fraud.**

Step #2 - All the documents are signed by the buyer and seller and the seller goes away with the check for the proceeds of the sale. **The buyer goes away with a deed to the property and a title commitment or a Title Policy if he has the “B-1’s” Deleted.**

NOTE - “We usually double close if the profit on the transaction is greater than \$20,000 net profit to us (investor).”

Simultaneous vs Double Closing

The following is a legal definition of a Simultaneous Closing because some refer to it as a seller-financed mortgage as one closing happening at the same time as the second closing for the sale of the property.

A “**Simultaneous Closing**” or a “Back-to-Back Closing” is actually a double closing where the three parties (seller, investor, and end-buyer) all are at the same closing table at the same time and each party knows what the other is receiving or has paid and a mortgage is involved by one party.

Because of fraud issues, some title companies will not close or issue title insurance on simultaneous closings. There is no legal reason for them not to do so, find another closing agent if you have a problem.

Method #11. Vesting at Closing

Vesting at closing usually involves using a land trust as the vehicle that is purchasing the property and just prior to the closing, the Beneficiaries of the land trust are designated.

Prior to that time, the Beneficiaries were not designated by the trust. The trust document specifies that the Beneficiaries will be designated when the trust is funded with a property in exchange for funding of its purchase.

Method #11. Vesting at Closing

This method of having another buyer close on the property is fairly recent in the investment arena and is being used predominately by investors doing REOs. The issue is that the “selling investor” must get paid for the installment of the new Beneficiaries or he will not make any money on the transaction.

This fee will not show on the HUD-1 closing statement so the additional purchase amount will not be covered by the title policy issued by the closing agent.

This is not the same as an Assignment of Beneficial Interest as discussed previously. In the Assignment, the beneficiaries actually sell their rights and interest sometime in the future, after the closing.

Method #12. Partnership With Seller

Partnering is where the investor signs an agreement with the seller and gets an equitable interest in the property and gets a portion of the **“designated profit”** when the property is sold.

The terms can vary greatly, but usually the investor contributes “sweat equity” in exchange for an interest in the property. An amicable price is determined between the seller (homeowner) and a determination is made about who pays for materials and labor.

For Example: **A property could sell for \$250,000 if it was in move-in condition and more if the needed rehab was of a high quality.** The homeowner had only had offers in the \$50,000 - \$60,000 range from investors and no better offers from his MLS® listing.

An investor could offer a Partnership Agreement that stipulates the homeowner advances the material cost which will be refundable at the closing. The investor does the work or hires a contractor and pays for the labor himself. At the closing, the net profit is divided by 2 (50%/50%) in the **following manner:**

Actual Example of a Partnership Profit Split

Sale Price	\$252,500
Mortgage payoff	\$ 0 (for brevity)
Proceeds after closing costs	\$250,000

Price Agreed upon by Seller and Investor as the “Fair Value”
of the property before rehab \$75,000

Expenses

Materials (reimbursed to Seller)	\$25,000
Labor (reimbursed to Investor)	\$10,000
Total Expenses	\$35,000

Profit Calculation \$250,000

Less “Fair Value” \$ 75,000

Less Total Expenses \$ 35,000

Gross Profit \$140,000

Proceeds to Each Party \$ 70,000

Homeowner gets \$75,000 (Fair Value) + \$70,000 (extra profit) + \$25,000 (refund) = \$170,000

Investor gets \$70,000 (profit) + \$10,000 (refund) = \$80,000

***Investor's Funds Needed = \$0.00 if he uses OPM or has
homeowner pay labor & materials***

Real Life Example for Realtors

In the past I have worked with five realtors (all female) who:

1. Found Investors who wanted to be in real estate but didn't want to do anything but invest funds (doctors, dentists & other professionals)
2. These realtors worked with rehab crews who were reliable, fast, and did good work at a fair price (even easier to find now)
3. They called me for wholesale properties that needed rehabbing with good equity potential
4. The realtor had the "investor" buy the property - NO commission

Real Life Example for Realtors

5. However, the realtors signed partnership agreements and listing

agreements with their investors to “split” profits (50/50 or 60/40 to Agent) On a \$50,000 Net Profit = \$25,000+ to Agent

6. They supervised the rehabs for a Management Fee of 15% of the

gross costs (usually \$30,000 to \$50,000 or \$4,500 to \$7,500 to Agent)

7. Received the full 6% commission for the sale of the property (on a \$200,000 property = (\$12,000 to the Agent)

On this property Agent received \$25,000 + \$7,500 + \$12,000 = \$39,500 = 22.25%

Method #13. Other People's Money

Using Other People's Money ("OPM") is one of the greatest leverage tools an investor can use. He simply solicits:

Friends, Family Members, Work Associates

Anyone and Everyone he comes in contact with to raise **\$MONEY\$**

The person or entity doing the funding gets a note on the property or the actual deed and a partnership agreement that gives the "lender" simple interest on his money or a minimal return PLUS some part of the profit.

Here is what we say - *"Typically, we offer 6% simple interest only, paid monthly or 8% simple interest paid at the sale of the property."*

For example for a \$100,000 loan the lender has a choice of

- A. $\$100,000 \times 6\% = \$6,000/12 = \$500$ per month, or if 8% at closing =>**
- B. $\$8,000/(12 - \# \text{ of months})$ at the closing = $\$4,000$ for 6 months.**

Method #14. Escrow the Closings

Escrowed Closings are also known as a “Staggered Closing.”

The actual closings take place at one or two closing agents occasionally on the same day but usually on different days.

For example: The property’s Buyer comes to a closing and brings his funds (cash buyer – no contingencies for financing) and he signs all the necessary documents. The closing agent “escrows” the funds and the documents and waits for the Seller to come to another closing which may be at another closing agent. At this time the Seller signs his documents and leaves to wait for the proceeds of the sale to be sent to him or he will pick up a check in the next few days.

The two (or maybe one) closing agent(s) coordinate each of their sides of the closing and simultaneously “exchange” the documents and funds. Seller is paid out, investor is paid and Buyer receives title to the property.

If you are wondering who in the world would do this -

All real estate transactions in California are closed in this manor. Here we can work with [all motivated Buyers and Sellers who trust attorneys.](#)

Method #15. Quitclaim at Closing

- Investor-Buyer comes to closing with End-Buyer and End-Buyer's money to close.
- **Investor has signed a Quitclaim Deed to the End-Buyer prior to closing**
- The closing takes place and the warranty deed is filed by the closing agent.
 - **End-buyer files Quitclaim Deed –**

If Quitclaim Deed is filed first, it can be re-filed again after the original seller's deed is recorded!

Method #16. Change Buyer at Closing

- A common practice among wholesalers is to switch buyers the day before, or the day of the closing.
- As cash buyers, the only changes are the title commitment and the name of the buyer on the closing docs.
- Is seller is motivated, he will allow it – BUT be careful of a “switched escrow deposit”

Method #17. Sell Shares of an Entity

- **The buyer of the property is an entity such as a corporation or an LLC.**
- **The stockholders of the corporation sell their shares or the partners of the LLC sell their membership interests.**
- **Danger – what liabilities are attached to the entity?**

Method #18. Use Buyer's Money to Fund Your Purchase

Many persons seeing this will immediately say it is illegal. Even some attorneys will be knee-jerk to say it can't be done.

The qualifications are simply to first ask the buyer and then get him to sign a Disclaimer and Disclosure Document that he understands you are using his money to buy the property instead of having any money yourself.

Have the Closing Agent draft the disclosure Document inc he will have to be OK to allow it to happen – seek another closing agent if you current one won't cooperate.

Our 2 Biggest Issues in Closing Deals?

1. In the past year, closing agents have been reluctant, or have actually said “NO” to closing transactions where the net profits to the investor were TOO LARGE!

What is “TOO BIG” a profit?

It is not a legal issue, but rather a title insurance issue. Title insurers and closing agents are afraid of fraud and just won't issue title insurance.

2. 40% to 50% of all REO titles have “problems” so the closing agents are issuing insurable titles NOT marketable titles!

You Have Just Seen:
18 Ways to Buy Properties with

Little or No Money

No Credit

Little or No Risk

Where do You Go From Here?

Thanks for Attending!

**If you have
questions contact
me at**

BlogDaveDinkel@gmail.com